



ECONOMIC PLANNING IN CUBA: TIES AND PROSPECTS

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Context for Reform is complex and sensitive:

1. *Very low development of the productive forces*
2. *Strong macroeconomic tensions accumulated whose impact lacerating social cohesion*
3. *Fragility of scarce external handles due to global geopolitical configuration and ferocity of the US Blockade that avoid a regular insertion*
4. *Imminent replacement of the generation of leaders who founded and rushed the stage of the Revolution in power*

Assumptions for Cuba in a horizon of 8-10 years:

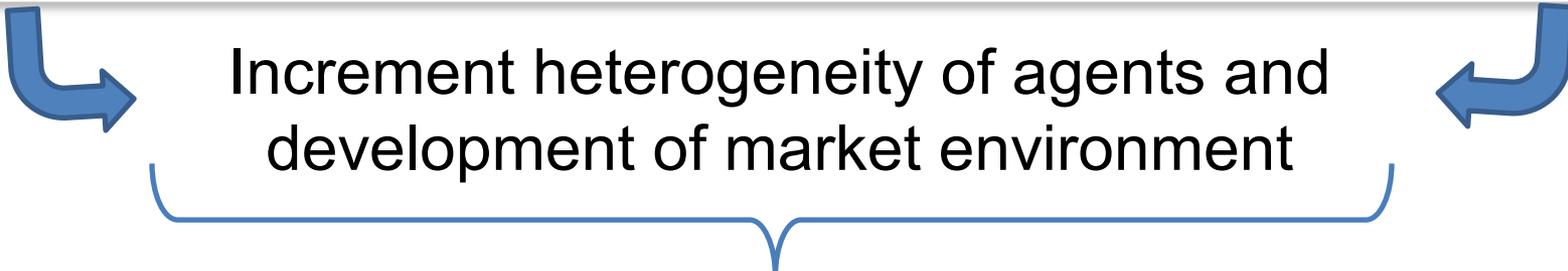
Markets operating in relative fullness, with greater participation of private and cooperative, domestic and foreign sector.

But with two essential defining elements:

1. Predominance of state property, so that a minimum condition for the social use of the accumulation process is guaranteed;
2. Redefinition by the state of its intervention mechanisms to harness or lead markets on a path of progress consistent with historical essences of Cuban socialism.

Explicit objectives of the initial stage of the Reform:

1. Incrementar peso relativo de la propiedad privada y cooperativa en la economía (sin privatizar propiedad pública)
2. Transforming unsuccessful management model of state enterprises, increasing their autonomy
3. Relax relationships between economic agents, including the relationships between individuals, companies, and all with the State



Increment heterogeneity of agents and development of market environment

4. Save leadership role of planning in the national economy

Economic Policy Objective VI Congress of PCC

"The socialist planning system will continue to be the main pathway for the management of the national economy, and should become their methodological, organizational and control issues (to take) into account market, influencing it and considering its features"

Lineamientos 1 y 2

Where should become?

What planning notion prevails today in Cuba?

Weaknesses of current practices in Cuba

- The concept of planning in the current model has many features of methods for War Economy rather than immanent principles of socialism.
- Excessive use of non-financial incentives as encouragement on productivity, savings and efficiency.
- Physical functioning of the economy has inconsistencies with the financial dimension, product of passive role of money and the lack of a coherent system of domestic prices.

Weaknesses of current practices in Cuba

- It has dominated the past 25 years, a vocation for the short term: annual horizon.
- Centralized resource allocation often acts as ignoring the objective conditions of the markets, creates artificial shortages or surpluses
- It is not clear what are the specific indicators of success for the performance of state-owned economic entities.

Signs of change

Directives of the Plan 2014:

1. Relaxation of "social object"
2. Introduction of the "state order" as an element of directive driving (100% capacity?)
3. Possibility of selling excess production to market

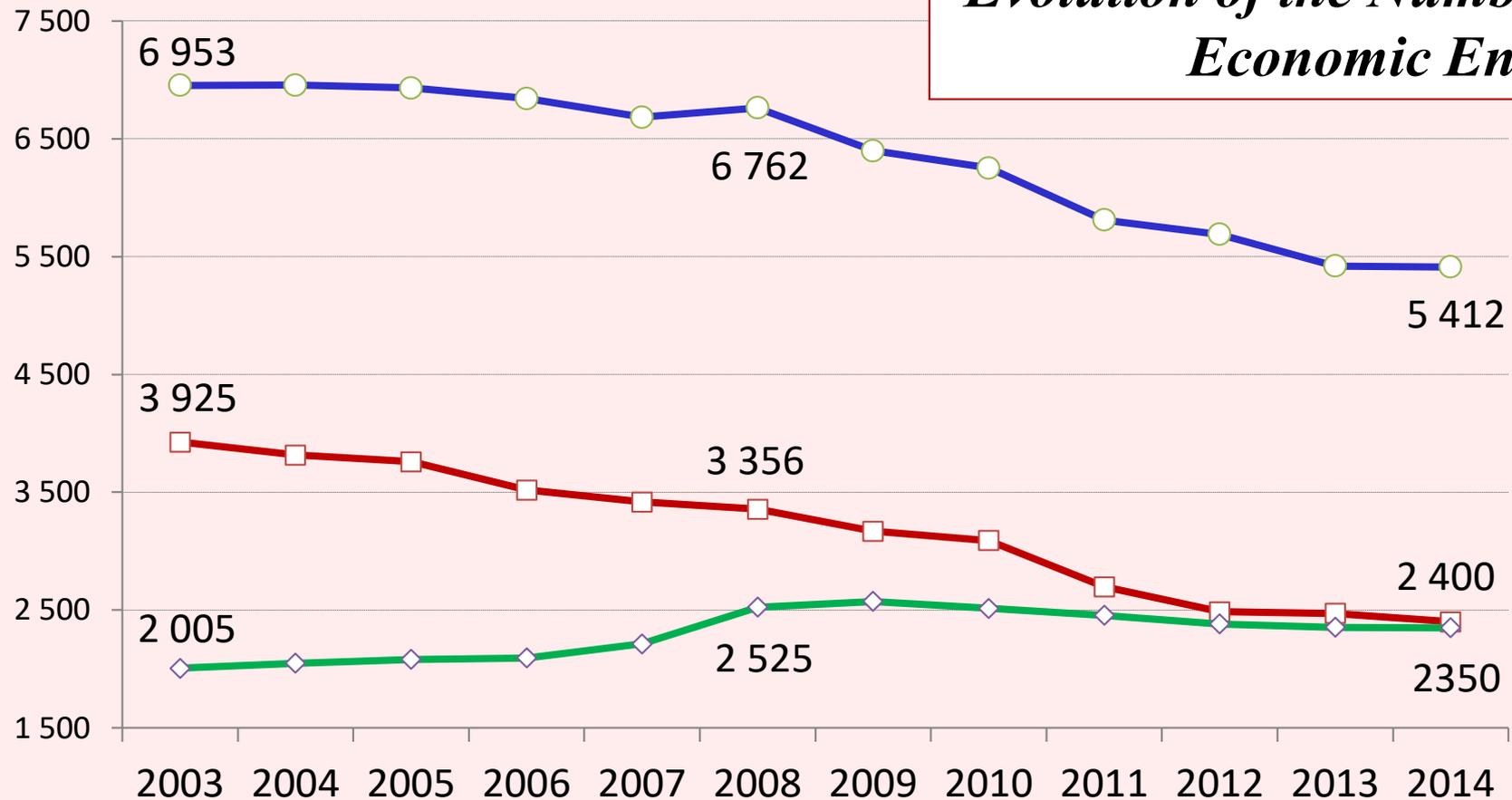
Markets: pending issue

Goods & Services Markets: Restricted by the offer.

- *Passive role of money and the absence of ordered monetary environment.*
- *Production generally takes place in monopolistic conditions, recent trend towards greater concentration: deepening sellers power.*
- *Total absence of horizontal control (consumers), State responds with greater control mechanisms*

Markets: pending issue

Evolution of the Number of Economic Entities



—■— Empresas y Sociedades Mercantiles —●— Cooperativas —◆— Unidades Presupuestadas

Source: Prepared on the basis of www.onei.cu

Markets: pending issue

Goods & Services Markets: Restricted by the offer.

- *Offer is superfluous plots with artificially segmented pricing: Demand brings everything together.*
- *Oligopolistic conditions of the private offer due to shortage of competitors and upregulation prices exerted by state retailers.*
- *Consolidation strata with very different consumption capabilities.*
- *Absence of institutions that defend the competition.*

Theoretical statements for discussion

- The **direct allocation of material resources** by a central agent is **not synonymous with planning**, and is not a principle of socialist economies. Planning should be understood, first of all, as a need for strategic management system.
- **Market does not mean private property.** The market is not confined to capitalist economies and its expansion does not require or necessarily leads to predominance of private property.
- The **proliferation of market is not an innocuous phenomenon.** Tends to produce a collective project unmarked guy. But it is an objective necessity. Requires a redesign from education and culture.
- It is impossible to transform the basics of planning, without transforming steering mechanisms of society towards **more participatory designs.**

Muchas Gracias